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THE STRUCTURE OF STATE GOVERNMENT IN IDAHO

A REPORT from the COUNCIL ON THE ECONOMY AND GOVERNMENT ORGANIZATION

to

**Governor John V. Evans
State of Idaho**

December 9, 1983

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Boise, Idaho 83702



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AND GOVERNMENT ORGANIZATION

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Foreword

Although the individual members of the Council on the Economy and Government Organization were intimately involved in the deliberations leading to this product, others participated by being interviewed, responding to questionnaires or acting as consultants to the group. Their comments, and time, are very much appreciated.

Intermountain Gas Company
Idaho Bank and Trust
Hewlett-Packard Company
Ore-Ida Foods, Inc.
First Security Bank of Idaho
J.R. Simplot Company
Monsanto
R.T. French Company
Blocks
F.M.C.
Lamb-Weston
E.G. and G. of Idaho
KID Broadcasting

Department of Employment
Department of Health and Welfare,
Division of Environment
Idaho Transportation Department
Division of Economic and Community Affairs
Montana Department of Commerce

Mr. Bert Wakeley, Council of State Planning Agencies
Mr. Jack Brizius, Council of State Planning Agencies
Mr. Jim Tait, Governors Center, Duke University
Mr. Dan Garry, National Governors' Association, Office
of State Services

The Council extends its gratitude, and apologizes for any omissions to this list.

COUNCIL ON THE ECONOMY
AND GOVERNMENT ORGANIZATION

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Wallace, Idaho

Robert L. Montgomery, Chairman
State Board of Education
Boise, Idaho

Florence Heffron, Faculty
Political Science Department
University of Idaho
Moscow, Idaho

Chuck Moss, City Manager
Pocatello, Idaho

John Overby, President
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Immediate Past Chairman
Idaho Association of Commerce
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Idaho Falls, Idaho

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Idaho House of Representatives
Twin Falls, Idaho

Honorable Louis Horvath
Idaho House of Representatives
Pinehurst, Idaho

Honorable John Peavey
Idaho State Senate
Carey, Idaho

Honorable Mark Ricks
Idaho State Senate
Rexburg, Idaho

Honorable David Leroy
Lt. Governor
Boise, Idaho

Staff

Division of Financial Manangment

Martin L. Peterson, Administrator
Jeffrey P. Shinn, Sr. Financial
Mangement Analyst

(The Council was assisted in its
early stages of deliberation by
Steven Shaw, Political Science
Department, Northwest Nazarene
College in Nampa.)

*Chairman of Council

I. Background

During the summer of 1983, Governor John V. Evans appointed a select group of Idaho citizens, business leaders, and public officials to study Idaho's state government structure.

The Governor gave this "Council on the Economy and Government Organization" two major charges:

1. Review state government's interaction with the business and economic sector of Idaho and the organizational composition of state government with respect to economic development and related activities; and
2. Review the entities contained within the Executive Office of the Governor for possible reduction in number, because the existing agencies, combined with the Executive Departments, creates too great of a "span-of-control" for the Governor as Chief Executive of the state. In addition, the possible redeployment of some of these agencies might make sense for service delivery considerations.

After several meetings between July and mid-December of 1983, and conducting research during the interim periods, the Council issues this final report of its findings and recommendations to Governor John V. Evans.

II. Introduction

There have been four major efforts to reorganize state government since statehood. The 1919 Legislature accomplished a thorough housecleaning by abolishing forty commissions, boards and offices and grouping what remained into nine major departments. The Legislature was so anxious to effect savings it "allowed" the Executive Branch only six weeks to conform to the new organizational pattern.

In 1949, the Legislature directed an interim committee to conduct a "thorough, complete, and constructive study and review of the entire organization and structure of state government in Idaho and of every department, institution, board and other agency of state government and the function thereof."

In 1965, the need for a modernization of Idaho's administrative organization was recognized by the Legislature when it authorized the Legislative Council to conduct a study of the organization of the Executive Branch and to develop recommendations for legislation that would eliminate duplication of functions within the Executive Branch. That year, the original idea was to reduce the number of major agencies within the Executive Branch to about 18. However, the final result of the committee's work consisted of a legislative package of 26 bills that affected only four main areas of administrative procedure and all but five of those bills died in committee.

Beginning in 1970 and lasting until 1974, then Governor Cecil Andrus took a new approach and lobbied statewide for a constitutional amendment to limit to 20 the number of executive agencies (excluding Legislative, Judicial, and constitutional officers.)

This passed and the Legislature assumed the task of restructuring state government. Nineteen executive departments appeared (one position was held in reserve.) Approximately twelve years have elapsed since the beginning of the last effort.

This major reorganization resulted in a fairly "traditional" structure (see Table 1). That is, numerous agencies were consolidated generally within an existing pattern, headed by appointed directors. Other states have also restructured themselves in the past decade, with the majority effecting a broad-based organization change. A very few others, Montana being one, have begun a more precise function-oriented review of state government.

Table 1

Executive Department*
Idaho State Government
(in existence December 1, 1983)

Administration
Agriculture
Correction
Education, State Board of
Employment
Examiners, Board of
Finance
Fish and Game
Health and Welfare
Industrial Commission
Insurance
Labor and Industrial Services
Lands
Law Enforcement
Parks and Recreation
Revenue and Taxation
Self-Governing Agencies
Transportation
Water Resources

*Total of 19, one position unfilled.

That latter approach is the direction Governor John Evans chose when he established the Council on the Economy and Government Organization. This group was given a two-fold charge: 1) look at the state's organization from the standpoint of economic development, and 2) consider the entities currently situated within the Executive Office of the Governor for possible "divestiture" from the chief executive's immediate office.

These charges to the Council were based upon the premise that state government is an influential (positive or negative) actor within the economic scene in Idaho. The Council was asked to review this presence of the state, and suggest changes, if appropriate, to the existing structure.

Secondarily, the Council was to review the structure of the Executive Office of the Governor (see Table 2). The review was to be directed at reducing the number of agencies reporting directly to the Governor, simplifying the administrative structure and improving coordination of service delivery in various functional areas.

With these two directives, the Council began their deliberations.

Table 2

Executive Office of the Governor
Idaho State Government
(In existence December 1, 1983)

Division of Financial Management
Division of Economic and Community Affairs
Public Employee Retirement System
Liquor Dispensary
Insurance Fund
Endowment Fund Investment Board
Office on Aging
Human Rights Commission
Blind Commission
Military
Disability Determinations Unit
Northwest Power Planning Council

III. Approach of the Council

The Council met five times between July 13 and December 8, 1983. During interim periods, individual members performed various research tasks. At the first and second meetings the Council reviewed its "charge" and discussed the broad implications: the nature of Idaho's economy with respect to the region; general economic/employment trends, and the current involvement of various state government departments relative to the economy. The second item, reviewing the entities within the Executive Office of the Governor, was discussed in greater detail during the later meetings.

Throughout the duration of the Council, staff distributed literature and other material for purposes of providing background. This included articles pertaining to "industrial policy", "high technology", "employment and training", "government organization", etc.

In addition, several Council members and Division of Financial Management staff attended the national meeting of the Council of State Planning Agencies (CSPA) in Sun Valley on August 28. Three individuals on the staff of CSPA and the National Governors' Association have been involved as immediate staff to Governors or as outside consultants in numerous state reorganization efforts. Several hours of discussions were held, with follow-up material sent to the Division of Financial Management for review by staff and/or Council members.

This information included situations in other states and pre- and post-reorganization structure. The State of Montana provided very useful documents with respect to their efforts over the previous four years, when a Department of Commerce was created, and a state-instituted "Economic Development Program to Build Montana," was begun.

Later meetings were devoted to reports of Council member research, reviewing additional material and discussing various ideas and options presented.

Although not included in the Appendix, documents, articles, and other background information reviewed by the Council are available from the Division of Financial Management staff.

The Council chose to organize itself into four subcommittees. These small groups focused their efforts on theoretical organization structure and accountability to the Chief Executive, creating an inventory of existing state economic development activities, and reviewing entities within the Executive Office of the Governor.

Economic Development

Actually, the two major research tasks undertaken by Council members consisted of surveying various business leaders and interviewing selected state department directors. For the former task, a survey/interview form was developed and administered either in person or by mail. (See the appendix for a copy of the survey form.)

Responses to this process were reported at the November 1 meeting by council members Chuck Moss and Robert Montgomery.

The major thrust of this data gathering phase was to elicit from business in Idaho its perception of the state's role in economic development activities and attempt to determine if the existing structure or mission of agencies was beneficial or detrimental to the economic climate of Idaho.

In addition, interviews were conducted with senior state agency staff, including department directors, for purposes of identifying various state government activities which relate directly or indirectly to economic development.

Subsequent meetings of the Council saw an increasing focus upon topics relating to economic development, job creation, industrial development, small business assistance, and investment capital identification and development. The existing and potential roles for various state departments, primarily the Division of Economic and Community Affairs, were reviewed and discussed. Suggestions regarding the "appropriate state effort" in this area were offered, including the potential for a department-level agency. A corresponding increase in budget for such a creation was a topic for discussion by the group, but only in general terms.

Executive Office of the Governor

The second directive to the Council was to improve the management and service delivery capabilities of the Executive Office of the Governor.

Presently, twelve senior-level administrators in these agencies, in addition to the Chief Executive-appointed department directors, officially report to the Governor.

This group includes several human service-related entities, financial investment operations and one wholesale/retail activity.

Factors considered include incorporating like activities together, reduce the number of entities reporting directly to the Chief Executive, and the potential for improved service delivery.

Again, the Council reviewed material presented by staff and discussed at length the respective missions and major activities of the Executive Office agencies. In a few cases, the Council asked for additional information about specific duties, client groups served, etc.

A list of the agencies reviewed and the Council's various recommendations will be found in the following section.

IV. Recommendations to the Governor

Economic Development:

After reviewing comments from Idaho businesses, state agency staffs, and following several Council deliberations, the Council on the Economy and Government Organization specifically recommends the following:

1. Creation of a new department-level agency to promote and enhance economic and community development and travel promotion in Idaho. One suggested name is the "Idaho Department of Commerce." The new department would conform to all existing statutes relative to state department structure and operation, and the Director would be appointed by the Governor. Major activities expected of this new department would be the significant expansion of existing functions of the Division of Economic and Community Affairs.

Although the discussion which follows identified what is expected of the proposed department, a notation of what is not expected is appropriate. The Council does not believe the "regulation" of commerce, trade or other business activity is to become a function of this new department.

However, the Council did, in the course of its deliberations, review material and discuss the topic of state government's organization relating to regulatory matters (financial, insurance, and others). See the third section of the recommendations for a more complete presentation.

According to David O. Porter, Administrator of the Division of Economic and Community Affairs, the major components of this new department should be:

A. Community Development

The primary need is that local government develop their individual and collective economic foundations. Central to this effort is the need for creating and retaining job opportunities, promoting private investment and improving housing and public facilities ("infrastructure").

Although the Division of Economic and Community Affairs presently offers financial assistance to communities through the federal Community Development Block Grant, these amounts cannot cover the entire staff. An expanded state program can provide staff assistance in grant development, coordination of public/private development interests, assistance with liaison needs between the state and federal agencies and locals and preparation of community infrastructure needs assessments on a comprehensive and continuous basis.

B. Economic Development

Promoting business investment (existing and new) in Idaho is essential to the state's economic development program. Developing markets for Idaho products, goods, and services, is a second major need.

An expanded effort in this area would emphasize technical assistance to chambers of commerce, private industry councils, and local development groups. Specific activities would include business site location assistance (economic, demographic, and technical data collection and preparation), product marketing programs outside the state establishment of a systematic advertising campaign in appropriate industrial locations.

During its deliberations, the Council on the Economy and Government Organization was informed that only 33 companies in Idaho employ more than 500 persons. This is less than 1% of Idaho's business firms. Almost 90% of the total firms employ between one and twenty employees.

Most current literature states that small business has been, and will continue to be, the creator of the majority of new jobs.

Idaho must be in a strong position to assist these existing and proposed small businesses. An expanded state effort in this area (although the current "effort" is admittedly meager) might include: development financing assistance, how to locate marketing expertise, interpret state and federal regulations, and provide economic and demographic data vital to small business development and growth.

Although a complete small business assistance program is vital, it should not attempt to accomplish the tasks which private enterprise must undertake. Rather, the state role should be evident in the developmental stages of a business and not as an ongoing partner.

Noted earlier is the need to promote Idaho's goods and services outside the boundaries of the United States as well as outside the state. International trade opportunities are expanding as foreign countries look outside their traditional spheres to purchase products and services.

Even as these countries are searching, Idaho can assign less than one full-time position to the international trade area. If the state wishes to introduce foreign governments and businesses to Idaho products and acquaint Idaho firms with marketing opportunities, more resources are required.

A state department with an expanded effort in this area can provide the professional marketing assistance needed; can target Idaho business' promotional efforts to areas where our products have a competitive advantage and could operate a sustained outreach program, in conjunction with Idaho firms, which would emphasize exports and development of working relationships with international trade companies and foreign governments.

Again, an expanded effort here would complement, not supplant, businesses' own efforts.

C. Travel Promotion

The third major function of the Division of Economic and Community Affairs is travel promotion.

The Idaho Travel Council, which operates as an adjunct to the Division, is concerned with promoting all forms of business and vacation travel within the state, to more fully utilize existing visitor capacity.

Promoting Idaho is also the major purpose of a film promotion which has just begun. Advertising Idaho as a location for motion picture filming should be a major state effort. The film industry is labor-intensive, non-polluting, and has a positive impact upon tourism activities in the particular area and statewide. These types of promotion could be enhanced with an expanded state effort.

The Council encourages the Chief Executive to recommend in the FY 1985 Executive Budget sufficient resources to perform the above-mentioned activities. All information presented to the Council indicates a sizable "multiplier effect" will occur if the state provides the initial and continued investment to assist, but not attempt to direct, the Idaho economy.

The Council believes greater visibility for state and local economic development activities will stem from this enhanced position. Further, the vitally important tasks of this organization will not be subject, in the opinion of some, to reservations because the function exists within the Executive Office of the Governor.

For the reasons stated, the Council believes the creation of a department-level organization to oversee these noted activities is important, and should be recommended by the Governor to the 1984 session of the Idaho Legislature. (See the appendix for an organization chart depicting this proposed department.)

2. A second area reviewed by the Council is worthy of discussion, even though no recommendation for change is put forward. This relates to three existing departments, all with a significant impact upon the employment sector of the economy.

The Departments of Employment, Labor and Industrial Services and the Industrial Commission have various ties to employers and employees.

The Department of Employment assists employers to locate and select new staff; it also provides job services to individuals seeking employment. The Department collects taxes for, and administers, the Unemployment Compensation Program in Idaho.

A significant amount of economic related data is stored in the data processing system of the Department of Employment. To the greatest extent possible, this information should be made available to other state agencies for economic development planning purposes. In addition, the local offices of the Department are a convenient conduit for using this economic data with various community organizations.

The Industrial Commission administers the worker's compensation program. This involves collection of taxes and assisting injured workers and employers to allow for return to the same job, a similar situation, or retraining for a new position.

The Department of Labor and Industrial Services conducts inspections of plumbing, electrical, and structural construction statewide and is charged with assuring safe workplaces in areas not covered by federal law. This latter function operates in conjunction with the Industrial Commission.

In summary, all three departments interact with various (and sometimes the same) employers, employees and the self-employed. The Council believes a comprehensive review of these department functions and their interaction with each other should be seriously considered at some not-to-distant date.

Executive Office of the Governor: Proposed Restructuring

1. Division of Financial Management. This office should remain within the domain of the Chief Executive operation, since it acts as the budget and management control arm of the Governor.

Also, the Council recommends that every effort should be made by the Division to coordinate its budget-related activities with the legislative branch. One means of assuring this is through the continuing efforts of the Financial Practices Council.

Human Rights Commission. Remains within the Executive Office of the Governor. Because of the independent investigatory and review function of the Commission, the Council recommends against any change in the organizational status.

Military Division. Remains within the Executive Office of the Governor. The Governor is Commander-in-Chief of the Military and should have the organization within close proximity.

Northwest Power Planning Council. Remains within the Executive Office of the Governor.

Endowment Fund Investment Board. Remains within the Executive Office of the Governor. (Although not recommended for transfer, this entity should be reviewed for possible operational/statutory changes.)

The Council recommends transferring the following entities either to a specific department, or to a functionally-related department. These recommendations are designed to enhance agency operations and maximize the ability of the Chief Executive to manage the overall affairs of the state:

Division of Economic and Community Affairs. Upgrade to departmental status (as previously discussed).

Public Employees Retirement System. Transfer to the Department of Self-Governing Agencies or transfer to the Department of Administration, where it would continue with independent status similar to the Idaho Personnel Commission.

Liquor Dispensary. Transfer to a functionally-related area such as Department of Law Enforcement or the Department of Administration.

9. State Insurance Fund. Transfer to the Department of Administration, which presently administers an insurance/risk management function for state government.

The Council recommends renaming the existing "Department of Health and Welfare" to the "Department of Health and Human Services." This is recommended for two reasons: remove the perjorative word "welfare" from the title and create a name which more accurately reflects the actual functions performed by the department.

To ensure better coordination of all human service programs, the Council recommends that three units of the Executive Office whose primary mission is the provision or coordination of services for the blind, the aged and the disabled be transferred to the renamed Department of Health and Human Services.

10. Office on Aging. Transfer to the Department of Health and Human Services. The Council believes such a transfer, although not without client-group consternation, would result in a better, more comprehensive delivery of human services statewide.
11. Blind Commission. Transfer to the renamed Department of Health and Human Services. This program is involved with assisting blind and partially-sighted individuals to allow for their least restrictive interaction within society.
12. Disability Determinations Unit. Transfer to the Department of Health and Human Services. The activity is a medical eligibility-determination function for federal disability insurance and supplemental security insurance benefits programs.

With respect to the Disability Determinations Unit and the Commission for the Blind, the Council recommends placing these

within a "Division of Rehabilitation Services" (or similar) in the Department of Health and Human Services. Also, the Council recommends transferring into this new unit the Division of Vocational Rehabilitation, currently within the State Board of Education. This latter function, assisting the disabled to enter meaningful employment activities, could be enhanced by meshing currently available human service programs in this department.

Other programs currently within the Department of Health and Welfare should also be reviewed for potential inclusion within the new Rehabilitation Services Division, where appropriate.

Additional Recommendations and Comments

1. While researching the structure of Idaho state government created by the constitutional amendment process during the early 1970's, the Council noted that the Board of Examiners was included as one of the twenty Executive Departments. The reason for this inclusion is unknown, even to Legislative and Executive staff involved in that reorganization effort.

In light of the proposals contained herein, acknowledging that no changes in authority, duties, or responsibilities will occur, the Council recommends deleting the Board of Examiners from the list of twenty Executive Departments. This will not alter the nature of this constitutional board.

2. Another possible department-level consolidation considered by the Council would have resulted in a "Business Regulation" agency. Discussions centered on the potential for merging the existing Departments of Finance and Insurance, and the Occupational Licensing functions now contained in the Department of Self-Governing Agencies. The latter is a "department" in name only since there is no director position, and the second component of the department, the various commodity commissions, operate independently in the

promotion of their respective commodities and products.

Although no change is recommended for review at this time by the Council, further examination of this idea deserves the attention of a future study group. If sufficient time had been available, the Council would have pursued this area in greater depth.

APPENDIX

1. Council mission statement
2. Potential Organization chart-Department of Commerce
3. Field Research Survey Form



State of Idaho
DIVISION OF FINANCIAL MANAGEMENT
EXECUTIVE OFFICE OF THE GOVERNOR

N V. EVANS
Governor

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COUNCIL ON THE ECONOMY AND GOVERNMENT ORGANIZATION

MISSION STATEMENT AND OBJECTIVES

September, 1983

Mission

The purpose of this Council is to analyze the existing structure of state government relative to Idaho's economic status, and to determine if that structure adequately promotes economic development within the State. Secondly, the Council is expected to review those agencies located within the Executive Office of the Governor and recommend whether the Chief Executive can adequately manage and be held accountable for this group of diverse agencies, in addition to managing the Executive Department of state government.

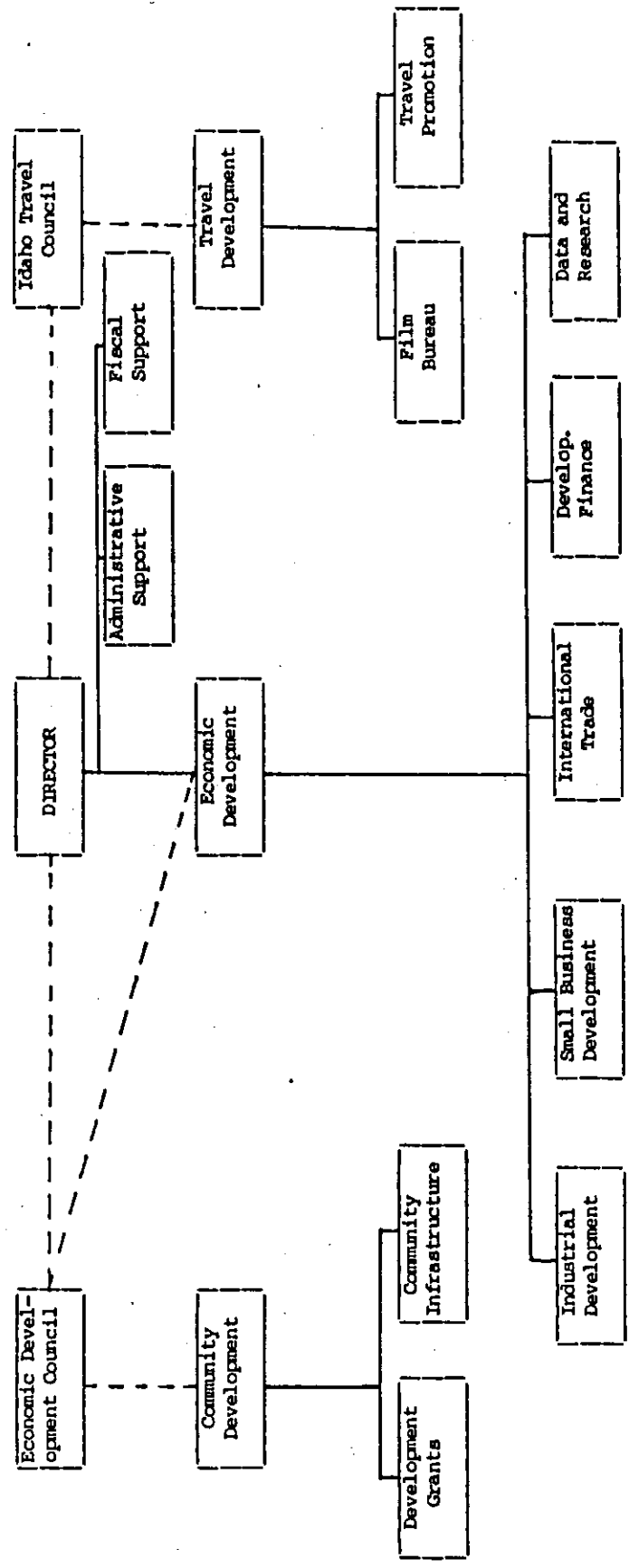
Objectives

Prior to December 15, 1983, this Council will review and consider:

- 1) All agencies of state government which contain functions or programs which are significantly involved in activities related to Idaho's economy (regulations, promotion/advocacy, financing, etc.)
- 2) Possible organizational revisions in state government to enhance Idaho's economic development activities.
- 3) The business sectors' interests regarding state government's interaction with the economy in Idaho.
- 4) The location of the agencies within the Executive Office of the Governor for purposes of correct organizational placement and accountability to the Chief Executive. This analysis will also involve a review of "span-of-control" and "lines-of-authority" as applied to the operation of state government.
- 5) A process to explain the Council's mission, deliberations, findings and recommendations to the Idaho Legislature and other interested groups. This includes the preparation of a Council report, with any necessary supporting documentation.

PROPOSED *
DEPARTMENT OF COMMERCE

MAJOR ACTIVITIES



* As proposed by the Division of Economic and Community Affairs.

COUNCIL ON THE ECONOMY
AND GOVERNMENT ORGANIZATION

DIVISION OF FINANCIAL MANAGEMENT

The following questions and responses are intended to assist this Council study Idaho state government for purposes of determining how the structure of state government influences our economic status.

Comments from your business will be reviewed by Council members and DFM staff, and will be included with all other comments so that individual responses are not attributed to a specific person or business.

Interviewer _____ Date _____

Person Being Interviewed _____

Business _____

A. Existing relations with state agencies involved with economic development.

1. Which state agencies, if any, does your business deal with regarding the following activities:

a. Regulatory matters

b. Financial Assistance (job training funds, tax credits, etc)

c. Economic Planning/Data Analysis

d. Job Creation

e. Training/Retraining of workers

f. Promotion or marketing of products, commodities, etc.

g. Energy Availability/Rate Structure

h. Transportation Systems

i. Natural Resource Use (water, air, solid waste, land/timber, land/minerals, etc.)

j. Other Technical Assistance

2. What principal problems has your business encountered with respect to these relationships (items 1.a. through 1.j.)?

. Suggestions for Change

1. What suggestions do you have to improve relations between state government and business?

2. Do you favor any of the following, and why?

- a. Businesses in Idaho deal with one central agency or department for economic development issues.

- b. Deal with one agency for identifying/selecting new business locations

- c. Deal with one agency for regulatory matters.

3. Relating to #B.2.a., should this single entity have "Department" status within state government, or be within the Executive Office of the Governor?

4. If state agencies remained unchanged with respect to economic development activities, is there any merit to having a "business advocacy ombudsman" function created in state government to assist businesses? What specific functions might such a person or office undertake in behalf of business?

C. Role of Governor/Chief Executive of State

1. Does your business contact this office for assistance? Regularly? Seldom? For certain items only (problems with other agencies, etc.)?

2. What suggestions do you have for improving the relations between the Governor's office and business?

3. Should the Governor create an "Economic Development Cabinet" (members to include department or agency directors involved in economic issues) to direct and focus the state's activities? What benefit(s) would you see accruing?

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-
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-
-
-
4. Should one person in the Governor's Office be the primary contact point for business (but not necessarily act as an "ombudsman", as noted previously). What benefits would this create?
-
-
-
-

D. Other Government Entities

1. Local Government Activities: Does your agency get involved in activities of sub-state governmental jurisdictions (i.e. cities or counties), especially as relates to economic development?
-
-
-
-
-

2. What coordination issues/problems do you see need attention with respect to the state vs. local role in promoting economic development?
-
-
-
-